

ABSTRACT

5 The present invention is a method and system for estimating liability reserve
amounts for incurred but not yet paid (IBNP) insurance claims by means of projecting paid
claims (either gross or per exposure) by lag time based on adjusted average monthly paid
amounts in historical data. Two versions of this method are disclosed, one which assumes that
future paid claim amounts are independent of claims incurred and already paid, and the other
10 which assumes that future paid claims are correlated with cumulative incurred and paid claims
through the valuation date. Both versions have been shown to give significantly more accurate
results than the traditional Completion Factor and Incurred Claims Methods when applied to sets
of real data.